

ALBURNETT COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2007

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Alburnett Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2006 Election)</b>		
Dee Lillie Luedtke	President	2006
Barry Woodson	Vice President	2006
Duane Bolton	Board Member	2007
Kent Wright	Board Member	2007
David Kirk	Board Member	2008
<b>Board of Education</b>		
<b>(After September 2006 Election)</b>		
Dee Lillie Luedtke	President	2009
Kent Wright	Vice President	2007
Duane Bolton	Board Member	2007
David Kirk	Board Member	2008
Barry Woodson	Board Member	2009
<b>School Officials</b>		
Michael Harrold	Superintendent	2007
Rhonda Lange	District Secretary/Treasurer and Business Manager	2007
Day, Rettig, Peiffer, P.C.	Attorney	2007

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Alburnett Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Alburnett Community School District, Alburnett, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Alburnett Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2008 on our consideration of the Alburnett Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alburnett Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 22, 2008

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Alburnett Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$4,658,791 in fiscal 2006 to \$5,059,397 in fiscal 2007, while General Fund expenditures increased from \$5,168,485 in fiscal 2006 to \$5,382,491 in fiscal 2006. The increase in revenues was not large enough to offset the District's already high expenditures. This resulted in a decrease in the District's General Fund balance from a deficit balance \$268,252 in fiscal 2006 to a deficit balance \$590,746 in fiscal 2007, a 120.22% decrease in fiscal 2007.
- The increase in General Fund revenues was attributable to an increase in local sources of revenue in fiscal 2007.
- The increase in expenditures was due primarily to the following:
  - 1) Increase in regular instruction costs.
  - 2) Increase in operation and maintenance of plant services and transportation services expenditures.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Alburnett Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Alburnett Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Alburnett Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Alburnett Community School District Annual Financial Report**

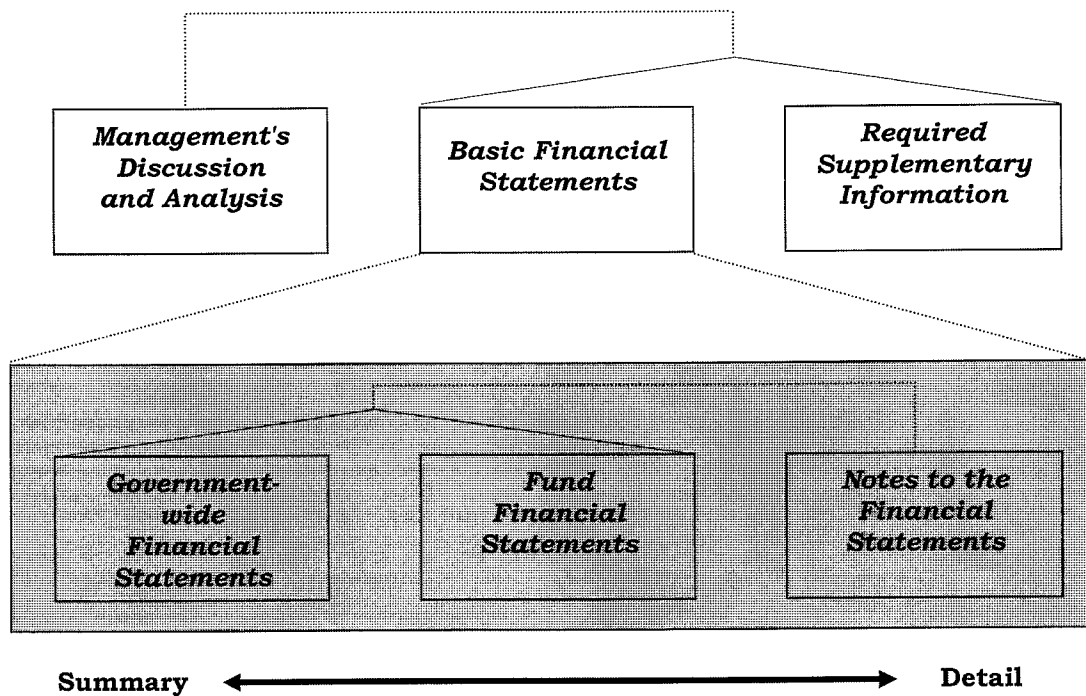


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and



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expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Capital Projects, and Special Revenue Funds.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Agency Fund.

Agency Funds - These are funds through which the District administers and accounts for an alternative school program.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 6,640,277	2,528,555	15,817	15,321	6,656,094	2,543,876	161.65%
Capital assets	1,201,720	1,093,304	3,872	4,503	1,205,592	1,097,807	9.82%
Total assets	7,841,997	3,621,859	19,689	19,824	7,861,686	3,641,683	115.88%
Long-term obligations	2,981,120	29,000	0	0	2,981,120	29,000	10179.72%
Other liabilities	4,164,814	2,570,371	25,167	9,799	4,189,981	2,580,170	62.39%
Total liabilities	7,145,934	2,599,371	25,167	9,799	7,171,101	2,609,170	174.84%
Net assets:							
Invested in capital assets, net of related debt	1,054,083	1,093,304	3,872	4,503	1,057,955	1,097,807	-3.63%
Restricted	361,018	315,378	0	0	361,018	315,378	14.47%
Unrestricted	(719,038)	(386,194)	(9,350)	5,522	(728,388)	(380,672)	-91.34%
Total net assets	\$ 696,063	1,022,488	(5,478)	10,025	690,585	1,032,513	-33.12%

The District's combined net assets decreased by 33.12%, or \$341,928, compared to the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$45,640, or 14.47% over the prior year. The increase was primarily a result of the District improving fund balances in the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$347,716, or 91.34%. This decrease in unrestricted net assets was a result of the District's decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 968,825	848,081	137,520	124,387	1,106,345	972,468	13.77%
Operating grants and contributions and restricted interest	573,667	464,033	47,538	62,387	621,205	526,420	18.01%
General revenues:							
Local tax	1,774,897	1,562,509	0	0	1,774,897	1,562,509	13.59%
Unrestricted state grants	2,219,070	2,282,865	0	0	2,219,070	2,282,865	-2.79%
Other	54,495	14,440	208	200	54,703	14,640	273.65%
Total revenues	5,590,954	5,171,928	185,266	186,974	5,776,220	5,358,902	7.79%
Program expenses:							
Governmental activities:							
Instructional	3,899,627	3,843,538	0	0	3,899,627	3,843,538	1.46%
Support services	1,774,656	1,611,570	0	0	1,774,656	1,611,570	10.12%
Non-instructional programs	0	0	200,769	192,741	200,769	192,741	4.17%
Other expenses	243,096	210,483	0	0	243,096	210,483	15.49%
Total expenses	5,917,379	5,665,591	200,769	192,741	6,118,148	5,858,332	4.43%
Changes in net assets	(326,425)	(493,663)	(15,503)	(5,767)	(341,928)	(499,430)	31.54%
Beginning net assets	1,022,488	1,516,151	10,025	15,792	1,032,513	1,531,943	-32.60%
Ending net assets	\$ 696,063	1,022,488	(5,478)	10,025	690,585	1,032,513	-33.12%

Local tax and unrestricted state grants account for 69.14% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 92.75% of the total expenses.

The District's total revenues were \$5,776,220 of which \$5,590,954 was for governmental activities and \$185,266 was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 7.79% increase in revenues and a 4.43% increase in expenses. Revenues increased primarily due to an increase in property tax of \$212,388. The increase in expenses related to an increase regular instruction and transportation services expenditures.

### Governmental Activities

Revenues for governmental activities were \$5,590,954 and expenses were \$5,917,379.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 3,899,627	3,843,538	1.46%	2,558,341	2,722,595	-6.03%
Support services	1,774,656	1,611,570	10.12%	1,764,498	1,599,769	10.30%
Other expenses	243,096	210,483	15.49%	52,048	31,113	67.29%
Totals	<u>\$ 5,917,379</u>	<u>5,665,591</u>	<u>4.44%</u>	<u>4,374,887</u>	<u>4,353,477</u>	<u>0.49%</u>

- The cost financed by users of the District's programs was \$968,825.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$573,667.
- The net cost of governmental activities was financed with \$1,774,897 in local tax, \$2,219,070 in unrestricted state grants and \$53,895 in interest income.

### Business-Type Activities

Revenues of the District's business-type activities were \$185,266 and expenses were \$200,769. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Alburnett Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of a \$2,497,910, compared to last year's ending fund balances of a deficit \$41,816. However, the primary reason for the increase was the issuance of general obligation bonds in the Capital Projects Fund.

### Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Increase in tax levy during the year in tax and grants resulted in an increase in revenues. The District's increase in General Fund expenditures ensured a decrease in the District's financial position. The District spent more than the District received.
- The Student Activity fund balance decreased from \$151,303 in 2006, to \$105,856 in 2007, due to the decrease in revenues and the increase in expenditures.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$41,348 to \$121,912, due to increased revenue.
- The Management fund balance increased from \$20,613 to \$41,496, due to controlled spending.

### Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from a positive \$10,025 at June 30, 2006 to a deficit \$5,478 at June 30, 2007, due to a decrease in Federal sources of revenue.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$60,003 more than budgeted revenues, a variance of 1.05%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instructional and support services expenditures functional areas due to the District not amending the budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2007, the District had invested \$1.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 8.94% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$124,693.

The original cost of the District's capital assets was \$2.88 million. Governmental funds account for \$2.8 million with the remainder of \$0.08 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$234,083 at June 30, 2007, compared to \$153,250 reported at June 30, 2006. This increase resulted from current year purchases.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 1,000	1,000	0	0	1,000	1,000	0.00%
Construction in progress	44,621	0	0	0	44,621	0	100.00%
Buildings	878,099	897,067	0	0	878,099	897,067	-2.16%
Land improvements	43,917	41,987	0	0	43,917	41,987	4.39%
Machinery and equipment	234,083	153,250	3,872	4,503	237,955	157,753	33.70%
Total	\$ 1,201,720	1,093,304	3,872	4,503	1,205,592	1,097,807	8.94%

### Long-Term Debt

At June 30, 2007, the District had \$2,981,120 in general obligation and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$2,850,000 at June 30, 2007.

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As of June 30, 2007, the District had two bus lease payables totaling \$111,620. These leases are payable from the General Fund.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$19,500 at June 30, 2007.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2007	2006	
General obligation bonds	\$ 2,850,000	0	100.00%
Bus leases	111,620	0	100.00%
Early retirement	19,500	29,000	-32.76%
Totals	2,981,120	29,000	10179.72%

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Although the District has experienced declining enrollment for a few years, the District expects a slight increase in enrollment.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period which began in fiscal year 2005.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rhonda Lange, District Board Secretary, Alburnett Community School District, P.O. Box 189, Alburnett, Iowa, 52202.

BASIC FINANCIAL STATEMENTS

ALBURNETT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments			
ISCAP(Note 5)	\$ 1,307,532	0	1,307,532
Other	3,273,452	71	3,273,523
Receivables:			
Property tax:			
Delinquent	19,068	0	19,068
Succeeding year	1,911,825	0	1,911,825
Interfund	15,000	0	15,000
Accrued ISCAP interest (Note 5)	9,499	0	9,499
Due from other governments	103,901	3,071	106,972
Inventories	0	12,675	12,675
Capital assets, net of accumulated depreciation (Note 6)	1,201,720	3,872	1,205,592
<b>TOTAL ASSETS</b>	<b>7,841,997</b>	<b>19,689</b>	<b>7,861,686</b>
<b>LIABILITIES</b>			
Interfund	0	15,000	15,000
Accounts payable	153,597	155	153,752
Accrued interest payable	22,447	0	22,447
Salaries and benefits payable	750,871	6,100	756,971
ISCAP warrants payable (Note 5)	1,310,000	0	1,310,000
ISCAP accrued interest payable (Note 5)	8,074	0	8,074
ISCAP unamortized premium	8,000	0	8,000
Deferred revenue:			
Succeeding year property tax	1,911,825	0	1,911,825
Unearned revenues	0	3,912	3,912
Long-term liabilities (Note 7):			
Portion due within one year:			
General obligation bonds payable	85,000	0	85,000
Bus leases	17,328	0	17,328
Early retirement payable	6,000	0	6,000
Portion due after one year:			
General obligation bonds payable	2,765,000	0	2,765,000
Bus leases	94,292	0	94,292
Early retirement payable	13,500	0	13,500
<b>TOTAL LIABILITIES</b>	<b>7,145,934</b>	<b>25,167</b>	<b>7,171,101</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,054,083	3,872	1,057,955
Restricted for:			
Talented and gifted	80,402	0	80,402
State technology	17,373	0	17,373
Beginning teacher mentoring	1,231	0	1,231
Market factor	4,309	0	4,309
Phase III	2,530	0	2,530
Management	21,996	0	21,996
Physical plant and equipment levy	121,912	0	121,912
Other special revenue purposes	111,265	0	111,265
Unrestricted	(719,038)	(9,350)	(728,388)
<b>TOTAL NET ASSETS</b>	<b>\$ 696,063</b>	<b>(5,478)</b>	<b>690,585</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



ALBURNETT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs					Total
Governmental activities:					
Instruction:					
Regular instruction	\$ 2,525,533	513,300	342,054	(1,670,179)	0
Special instruction	699,192	116,365	30,407	(552,420)	0
Other instruction	674,902	339,160	0	(335,742)	0
	3,899,627	968,825	372,461	(2,558,341)	0
Support services:					
Student services	204,796	0	0	(204,796)	0
Instructional staff services	205,497	0	0	(205,497)	0
Administration services	560,100	0	0	(560,100)	0
Operation and maintenance of plant services	450,072	0	0	(450,072)	0
Transportation services	354,191	0	10,158	(344,033)	0
	1,774,656	0	10,158	(1,764,498)	0
Other expenditures:					
Long-term debt interest	22,447	0	0	(22,447)	0
AEA flowthrough	191,048	0	191,048	0	0
Depreciation (unallocated)*	29,601	0	0	(29,601)	0
	243,096	0	191,048	(52,048)	0
Total governmental activities	5,917,379	968,825	573,667	(4,374,887)	0
Business-Type activities:					
Non-instructional programs:					
Food service operations	200,769	137,520	47,538	0	(15,711)
					(15,711)
Total	\$ 6,118,148	1,106,345	621,205	(4,374,887)	(15,711)
					(4,390,598)
General Revenues:					
Property tax levied for:					
General purposes				\$ 1,654,048	0
Capital outlays				120,849	0
Unrestricted state grants				2,219,070	0
Unrestricted investment earnings				53,895	208
Proceeds from disposal of equipment				600	0
Total general revenues				4,048,462	208
Changes in net assets				(326,425)	(15,503)
Net assets beginning of year				1,022,488	10,025
Net assets end of year				\$ 696,063	(5,478)
					690,585

\* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments				
ISCAP(Note 5)	\$ 1,307,532	0	0	1,307,532
Other	174,910	2,817,533	281,009	3,273,452
Receivables:				
Property tax				
Delinquent	16,707	0	2,361	19,068
Succeeding year	1,549,162	0	362,663	1,911,825
Interfund	15,000	0	232	15,232
Accrued ISCAP interest(Note 5)	9,499	0	0	9,499
Due from other governments	103,901	0	0	103,901
<b>TOTAL ASSETS</b>	<b>\$ 3,176,711</b>	<b>2,817,533</b>	<b>646,265</b>	<b>6,640,509</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Interfund payable	\$ 232	0	0	232
Accounts payable	141,118	3,550	8,929	153,597
ISCAP warrants payable(Note 5)	1,310,000	0	0	1,310,000
ISCAP accrued interest payable(Note 5)	8,074	0	0	8,074
ISCAP unamortized premium	8,000	0	0	8,000
Salaries and benefits payable	750,871	0	0	750,871
Deferred revenue:				
Succeeding year property tax	1,549,162	0	362,663	1,911,825
Total liabilities	3,767,457	3,550	371,592	4,142,599
Fund balances:				
Reserved for:				
Talented and gifted	80,402	0	0	80,402
State technology	17,373	0	0	17,373
Beginning teacher mentoring	1,231	0	0	1,231
Market factor	4,309	0	0	4,309
Phase III	2,530	0	0	2,530
Unreserved	(696,591)	2,813,983	274,673	2,392,065
Total fund balances	(590,746)	2,813,983	274,673	2,497,910
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,176,711</b>	<b>2,817,533</b>	<b>646,265</b>	<b>6,640,509</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007

**Total fund balances of governmental funds (page 15)** \$ 2,497,910

***Amounts reported for governmental activities in the  
statement of net assets are different because:***

Capital assets used in governmental activities are not  
financial resources and, therefore, are not report as  
assets in in the governmental funds. 1,201,720

Accrued interest payable on long-term liabilities is not due  
and payable in the current period and, therefore, is not  
reported as a liability in the governmental funds. (22,447)

Long-term liabilities, including bonds payable, bus  
lease payable, and early retirement payable are not due  
and payable in the current period and, therefore, are  
not reported as liabilites in the governmental funds. (2,981,120)

**Net assets of governmental activites (page 13)** \$ 696,063

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Other Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,554,111	0	220,786	1,774,897
Tuition	629,665	0	0	629,665
Other	82,884	23,412	286,759	393,055
State sources	2,650,067	0	0	2,650,067
Federal sources	142,670	0	0	142,670
Total revenues	5,059,397	23,412	507,545	5,590,354
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	2,532,311	0	24,158	2,556,469
Special instruction	699,192	0	0	699,192
Other instruction	352,458	0	322,613	675,071
	3,583,961	0	346,771	3,930,732
Support services:				
Student services	204,796	0	0	204,796
Instructional staff services	181,380	0	0	181,380
Administration services	545,180	18,358	0	563,538
Operation and maintenance of plant services	385,901	0	80,094	465,995
Transportation services	290,225	0	144,063	434,288
	1,607,482	18,358	224,157	1,849,997
Other expenditures:				
Facilities acquisitions	0	41,071	0	41,071
Long-term debt:				
Principal	0	0	23,099	23,099
AEA flowthrough	191,048	0	0	191,048
	191,048	41,071	23,099	255,218
Total expenditures	5,382,491	59,429	594,027	6,035,947
Deficiency of revenues under expenditures	(323,094)	(36,017)	(86,482)	(445,593)
Other financing sources(uses):				
Transfers in	0	0	23,099	23,099
Transfers out	0	0	(23,099)	(23,099)
Issuance of general obligation bonds	0	2,850,000	0	2,850,000
Proceeds from the disposal of equipment	600	0	0	600
Proceeds from bus lease	0	0	134,719	134,719
Total other financing sources(uses)	600	2,850,000	134,719	2,985,319
Net change in fund balances	(322,494)	2,813,983	48,237	2,539,726
Fund balance beginning of year	(268,252)	0	226,436	(41,816)
Fund balance end of year	\$ (590,746)	2,813,983	274,673	2,497,910

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds (page 17) \$ 2,539,726

**Amounts reported for governmental activities in the  
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 231,668	
Depreciation expense	(123,252)	108,416

Proceeds from issuing long-term liabilities provide current financial resources to governmental fund, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Issued	(2,984,719)	
Repaid	23,099	(2,961,620)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (22,447)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement		9,500
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Changes in net assets of governmental activities (page 14) \$ (326,425)

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2007

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 71
Due from other governments	3,071
Inventories	12,675
Capital assets, net of accumulated depreciation (Note 6)	<u>3,872</u>
TOTAL ASSETS	<u>19,689</u>
LIABILITIES	
Interfund payable	15,000
Accounts payable	155
Salaries and benefits payable	6,100
Unearned revenues	<u>3,912</u>
TOTAL LIABILITES	<u>25,167</u>
NET ASSETS	
Invested in capital assets	3,872
Unrestricted	<u>(9,350)</u>
TOTAL NET ASSETS	<u>\$ (5,478)</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 137,520
TOTAL OPERATING REVENUES	<u>137,520</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	78,774
Benefits	10,441
Services	2,580
Supplies	107,533
Depreciation	1,441
TOTAL OPERATING EXPENSES	<u>200,769</u>
OPERATING LOSS	<u>(63,249)</u>
NON-OPERATING REVENUES:	
State sources	3,008
Federal sources	44,530
Interest on investments	208
TOTAL NON-OPERATING REVENUES	<u>47,746</u>
Net loss	(15,503)
Net assets beginning of year	<u>10,025</u>
Net assets end of year	<u><u>\$ (5,478)</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2007

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 119,233
Cash received from miscellaneous operating activities	146
Cash payments to employees for services	(88,932)
Cash payments to suppliers for goods or services	(77,007)
Net cash used in operating activities	(46,560)
Cash flows from non-capital financing activities:	
Borrowings from General Fund	15,000
State grants received	3,008
Federal grants received	24,424
Net cash provided by non-capital financing activities	42,432
Cash flows from investing activities:	
Interest on investments	208
Cash flows from capital financing activities:	
Purchase of assets	(810)
Net decrease in cash and cash equivalents	(4,730)
Cash and cash equivalents at beginning of year	4,801
Cash and cash equivalents at end of year	\$ 71
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (63,249)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	20,106
Depreciation	1,441
Increase in inventories	(2,155)
Increase in due from other governments	(3,071)
Increase in accounts payable	155
Increase in salaries and benefits payable	283
Decrease in unearned revenue	(70)
Net cash used in operating activities	\$ (46,560)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 71
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
During the year ended June 30, 2007, the District received Federal commodities valued at \$20,106.	

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



ALBURNETT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2007

	<u>Agency</u>
ASSETS	
Cash and pooled investments	<u>\$        3,083</u>
LIABILITIES	
Due to other groups	<u>\$        3,083</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

The Alburnett Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Alburnett, Iowa, and the predominate agricultural territory in Linn County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Alburnett Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Alburnett Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Linn County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation plus unspent bond proceeds and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets help by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to

the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty

days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balance will either be reimbursed or served lunches. The lunch account balances are reflected in the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the instruction and support services functional areas exceeded the amount budgeted.

#### (2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2007 were entirely covered by Federal depository insurance or by the State Sinking Funds in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in Certificates of Deposit with a maturity over one year as follows:

	Fair Value
Certificates of Deposit	\$ 27,598

(3) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue- Physical Plant and Equipment Levy	<u>\$ 23,099</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) **Due from and Due to Other Funds**

At June 30, 2007 the interfund receivables and payables consisted of the following:

Receivable Fund	Payable Fund	Amount
General	Enterprise - School Nutrition	\$ 15,000
Special Revenues - Student Activity	General	232
Total		<u>\$ 15,232</u>

(5) **Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07B	1/26/2007	1/25/2008	\$ 408,954	9,230	410,000	7,845
2007-08A	6/29/2007	6/28/2008	898,578	269	900,000	229
			<u>\$ 1,307,532</u>	<u>9,499</u>	<u>1,310,000</u>	<u>8,074</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its



General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP had no advance activity in the General Fund for the year ended June 30, 2007.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07B	4.250%	5.315%
2007-08A	4.500%	5.455%

#### (6) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,000	0	0	1,000
Construction in progress	0	44,621	0	44,621
Total capital assets not being depreciated	1,000	44,621	0	45,621
Capital assets being depreciated:				
Buildings	1,094,811	6,846	0	1,101,657
Land improvements	200,176	5,717	0	205,893
Machinery and equipment	1,315,365	174,484	44,759	1,445,090
Total capital assets being depreciated	2,610,352	187,047	44,759	2,752,640
Less accumulated depreciation for:				
Buildings	197,744	25,814	0	223,558
Land improvements	158,189	3,787	0	161,976
Machinery and equipment	1,162,115	93,651	44,759	1,211,007
Total accumulated depreciation	1,518,048	123,252	44,759	1,596,541
Total capital assets being depreciated, net	1,092,304	63,795	0	1,156,099
Governmental activities capital assets, net	\$ 1,093,304	108,416	0	1,201,720
Business-type activities:				
Machinery and equipment	\$ 83,495	810	0	84,305
Less accumulated depreciation	78,992	1,441	0	80,433
Business-type activities capital assets, net	\$ 4,503	(631)	0	3,872

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 8,744
Other	1,916

Support services:

Instructional staff	24,117
Administration	112
Operation and maintenance	4,140
Transportation	54,622
	<u>93,651</u>

Unallocated depreciation	<u>29,601</u>
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Total governmental activities depreciation expense	<u>\$ 123,252</u>
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Business-type activities:

Food services	<u>\$ 1,441</u>
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(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 0	2,850,000	0	2,850,000	85,000
Bus leases	0	134,719	23,099	111,620	17,328
Early retirement	29,000	383	9,883	19,500	6,000
Total	<u>\$ 29,000</u>	<u>2,985,102</u>	<u>32,982</u>	<u>2,981,120</u>	<u>108,328</u>

General Obligation Bonds Payable

Details of the District's June 30, 2007 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue of May 2007		
		Principal	Interest	Total
2008	4.25 %	\$ 85,000	121,308	206,308
2009	4.25	90,000	117,695	207,695
2010	4.25	95,000	113,870	208,870
2011	4.25	100,000	109,832	209,832
2012	4.25	105,000	105,582	210,582
2013	4.30	110,000	101,120	211,120
2014	4.50	115,000	96,390	211,390
2015	4.50	120,000	91,215	211,215
2016	4.50	125,000	85,815	210,815
2017	3.90	135,000	80,190	215,190
2018	3.95	140,000	74,925	214,925
2019	4.00	145,000	69,395	214,395
2020	4.05	155,000	63,595	218,595
2021	4.15	165,000	57,318	222,318
2022	4.20	170,000	50,470	220,470
2023	4.25	180,000	43,330	223,330
2024	4.30	190,000	35,680	225,680
2025	4.35	200,000	27,510	227,510
2026	4.40	205,000	18,810	223,810
2027	4.45	220,000	9,790	229,790
Total		<u>\$ 2,850,000</u>	<u>1,473,840</u>	<u>4,323,840</u>

### Bus Lease

During the year ended June 30, 2007, the District entered into two bus leases with Blue Bird Body Company for two buses. Principal payments on the lease began during the year in the amount of \$23,099. The remaining principal and interest payments will be made from the Capital Projects Fund.

Details of the District's June 30, 2007 bus lease indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bus lease dated February 14, 2007		
		Principal	Interest	Total
2008	5.17 %	\$ 17,328	5,771	23,099
2009	5.17	18,224	4,875	23,099
2010	5.17	76,068	3,932	80,000
Total		\$ 111,620	14,578	126,198

### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employees base salary calculated by using the current year regular salary schedule, less any other additional pay and subject to a maximum of \$8,000 per individual. Early retirement benefits paid during the year ended June 30, 2007, totaled \$9,883. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

### **(8) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006, and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$170,678, \$163,557, and \$156,705, respectively, equal to the required contributions for each year.

### **(9) Risk Management**

Alburnett Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural

disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$191,048 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Budget Overexpenditure**

Per the code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2007, expenditures in the instruction and support services functional areas exceeded the amount budgeted.

**(12) Deficit Fund Balance**

The General Fund and the Enterprise Fund, School Nutrition had deficit unreserved fund balances at June 30, 2007 of \$590,746 and \$5,478, respectively.

REQUIRED SUPPLEMENTAL INFORMATION

ALBURNETT COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2007

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 2,797,617	137,728	2,935,345	2,809,564	2,809,564	125,781
State sources	2,650,067	3,008	2,653,075	2,773,553	2,773,553	(120,478)
Federal sources	142,670	44,530	187,200	132,500	132,500	54,700
Total revenues	5,590,354	185,266	5,775,620	5,715,617	5,715,617	60,003
Expenditures:						
Instruction	3,930,732	0	3,930,732	3,675,695	3,675,695	(255,037)
Support services	1,849,997	0	1,849,997	1,601,444	1,601,444	(248,553)
Non-instructional programs	0	200,769	200,769	210,000	210,000	9,231
Other expenditures	255,218	0	255,218	259,065	259,065	3,847
Total expenditures	6,035,947	200,769	6,236,716	5,746,204	5,746,204	(490,512)
Deficiency of revenues under expenditures	(445,593)	(15,503)	(461,096)	(30,587)	(30,587)	(430,509)
Other financing sources, net	2,985,319	0	2,985,319	0	0	2,985,319
Excess (deficiency) of revenues and other financing sources over (under) expenditures	2,539,726	(15,503)	2,524,223	(30,587)	(30,587)	2,554,810
Balance beginning of year	(41,816)	10,025	(31,791)	331,057	331,057	(362,848)
Balance end of year	\$ 2,497,910	(5,478)	2,492,432	300,470	300,470	2,191,962

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures in the instruction and support services functional areas exceeded the amount budgeted.

OTHER SUPPLEMENTAL INFORMATION



ALBURNETT COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2007

	Special Revenue Funds						Total
	Manage-	Physical					Nonmajor
	ment	Plant and				Debt	Governmental
	Levy	Student	Equipment	Expendable			Funds
	Activity	Levy	Trust	Total		Service	
<b>Assets</b>							
Cash and pooled investments	\$ 40,422	114,553	120,625	5,409	281,009	0	281,009
Receivables:							
Property tax:							
Current year delinquent	1,074	0	1,287	0	2,361	0	2,361
Succeeding year	100,000	0	122,663	0	222,663	140,000	362,663
Interfund	0	232	0	0	232	0	232
<b>Total assets</b>	<b>\$ 141,496</b>	<b>114,785</b>	<b>244,575</b>	<b>5,409</b>	<b>506,265</b>	<b>140,000</b>	<b>646,265</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 0	8,929	0	0	8,929	0	8,929
Deferred revenue:							
Succeeding year property tax	100,000	0	122,663	0	222,663	140,000	362,663
Total Liabilities	100,000	8,929	122,663	0	231,592	140,000	371,592
Unreserved fund balance	41,496	105,856	121,912	5,409	274,673	0	274,673
<b>Total liabilities and fund balances</b>	<b>\$ 141,496</b>	<b>114,785</b>	<b>244,575</b>	<b>5,409</b>	<b>506,265</b>	<b>140,000</b>	<b>646,265</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2007

	Special Revenue Funds					Debt Service	Total Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total		
REVENUES:							
Local sources:							
Local tax	\$ 99,937	0	120,849	0	220,786	0	220,786
Other	203	277,166	2,878	6,512	286,759	0	286,759
TOTAL REVENUES	100,140	277,166	123,727	6,512	507,545	0	507,545
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	9,883	0	0	14,275	24,158	0	24,158
Other instruction	0	322,613	0	0	322,613	0	322,613
Support services:							
Operation and maintenance of plant services	60,030	0	20,064	0	80,094	0	80,094
Student transportation	9,344	0	134,719	0	144,063	0	144,063
Other expenditures:							
Long-term debt:							
Principal	0	0	0	0	0	23,099	23,099
TOTAL EXPENDITURES	79,257	322,613	154,783	14,275	570,928	23,099	594,027
EXCESS(DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	20,883	(45,447)	(31,056)	(7,763)	(63,383)	(23,099)	(86,482)
OTHER FINANCING SOURCES(USES):							
Transfers in	0	0	0	0	0	23,099	23,099
Transfers out	0	0	(23,099)	0	(23,099)	0	(23,099)
Proceeds from bus lease	0	0	134,719	0	134,719	0	134,719
Total other financing sources(uses)	0	0	111,620	0	111,620	23,099	134,719
EXCESS(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES	20,883	(45,447)	80,564	(7,763)	48,237	0	48,237
FUND BALANCE BEGINNING OF YEAR	20,613	151,303	41,348	13,172	226,436	0	226,436
FUND BALANCE END OF YEAR	\$ 41,496	105,856	121,912	5,409	274,673	0	274,673

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 0	7	7	0
Athletics	2,351	51,138	53,489	0
Class Funds	2,917	2,743	3,911	1,749
Student Project-Ven	3,691	3,393	5,906	1,178
Class of 2006	527	0	527	0
Class of 2007	1,481	1,922	3,097	306
Class of 2008	2,454	2,608	4,056	1,006
Class of 2009	2,002	794	650	2,146
Class of 2010	1,157	619	0	1,776
Class of 2011	519	627	0	1,146
Class of 2012	0	536	0	536
Class of 2013	0	536	0	536
Class of 2014	0	536	0	536
FFA	7,546	16,202	14,857	8,891
Project oxygen-FFA	14	1	0	15
National honor society	1,293	722	1,303	712
Booster club	68,240	87,292	113,437	42,095
Math counts	243	18	0	261
Pom pons	985	13,541	10,631	3,895
Color guard	77	6	0	83
Football squad	1,554	2,513	4,031	36
Science club	1,554	117	0	1,671
Wrestling club	0	101	90	11
FBIA	0	20,267	20,255	12
Renaissance	0	2,893	2,465	428
Spanish club	921	66	0	987
Volleyball squad	760	3,029	2,399	1,390
Baseball	91	7,557	7,083	565
Sunshine club	179	1,671	2,057	(207)
Interest & misc.	5,548	5,461	6,950	4,059
FSB donation	91	2,065	1,187	969
Book fines	0	91	84	7
Marketing	181	1,864	2,045	0
Book fair	1,924	6,011	7,008	927
Annual	0	3,157	1,690	1,467
Student council	1,047	605	1,390	262
Art	10,200	0	10,200	0
Music parents	8,355	13,978	12,198	10,135
Band boosters	381	2,983	3,147	217
Elementary club	9,248	5,292	3,824	10,716
Cheerleaders	273	2,945	2,099	1,119
Peer group	854	85	0	939
Wrestling cheerleading	(225)	1,495	1,431	(161)
School cents	9,115	717	9,210	622
Soda program	389	28	0	417
Shop	840	0	840	0
Paper & pencils	1,329	96	0	1,425
Health careers	28	2	0	30
Tattler	63	4	0	67
Archery in Iowa School	68	0	68	0
Character counts	1,038	207	398	847
Children's Miracle/Dance-a-thon	0	8,625	8,593	32
Total	\$ 151,303	277,166	322,613	105,856

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2007

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 0	4,500	1,417	3,083
Liabilities				
Due to other groups	\$ 0	4,500	1,417	3,083

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 1,774,897	1,562,509	1,517,880	1,474,010
Tuition	629,665	522,967	487,143	470,432
Other	393,055	339,394	386,472	310,651
Intermediate sources	0	0	0	300
State sources	2,650,067	2,657,564	2,600,046	2,436,976
Federal sources	142,670	89,334	80,468	117,374
Total	\$ 5,590,354	5,171,768	5,072,009	4,809,743
Expenditures:				
Instruction:				
Regular instruction	\$ 2,556,469	2,120,940	2,276,140	2,265,072
Special instruction	699,192	811,393	650,055	570,669
Other instruction	675,071	855,806	605,003	614,222
Support services:				
Student services	204,796	202,823	186,239	172,100
Instructional staff services	181,380	181,200	161,357	159,331
Administration services	563,538	519,676	499,878	455,873
Operation and maintenance of plant services	465,995	381,106	372,588	476,911
Transportation services	434,288	283,827	275,890	290,981
Other expenditures:				
Facilities acquisitions	41,071	42,974	0	53,697
Long-term debt:				
Principal	23,099	0	0	0
AEA flow-through	191,048	179,370	176,022	172,940
Total	\$ 6,035,947	5,579,115	5,203,172	5,231,796

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
Alburnett Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Alburnett Community School District of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 22, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Alburnett Community School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Alburnett Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Alburnett Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Alburnett Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Alburnett Community School District's financial statements that is more than inconsequential will not be prevented or detected by Alburnett Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Alburnett Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alburnett Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Alburnett Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Alburnett Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Alburnett Community School District and other parties to whom Alburnett Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Alburnett Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 22, 2008

ALBURNETT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial balance of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We are reorganizing our office procedures and investigating possible alternatives.

Conclusion - Response accepted.

I-B-07 Gate Admissions - The gate admissions were not reconciled to pre-numbered tickets sold.

Recommendation - The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the admissions to the number of tickets issued.

Response - Although tickets are not used, numbers are kept of persons entering the game and the receipts are matched against the numbers. All reconciliation is done by two different persons.

Conclusion - Response accepted.

I-C-07 Purchase Orders - We noted during our audit that purchase orders in the Activity Fund were dated after the invoices. Purchase orders are typically used to document approval prior to the purchase as well as documenting which account will be paying for the invoice. The fact the purchase orders are completed after the invoice arrives, indicates that purchases are being made without proper approval.

Recommendation - The district should review procedures in place with regard to use of purchase orders, placing the order and subsequent payment. The district should require purchase orders be completed prior to ordering.

Response - The District has instructed its staff on purchase order procedure. We are constantly reviewing our purchase order procedure with the staff and will continue to do so.

Conclusion - Response accepted.



ALBURNETT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-07 Certified Budget - District expenditures for the year ended June 30, 2007 exceeded the amount budgeted in the instruction and support services functional areas.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The District will amend our budget should our expenditures exceed our budget.

Conclusion - Response accepted.

- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-07 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kent Wright, Board Member Part owner of Lefty's Convenience Store	Supplies	\$3,803
Jeff Miles, Teacher Owner of Miles Law Mowing Service	Mowing services	\$632
Gary Holsinger, Custodian	Snow removal	\$1,918

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the District's custodian and teacher does not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the code of Iowa, the above transactions with Kent Wright appear to represent a conflict of interest since the amount exceeds \$2,500.

Recommendation - The District should consult legal counsel to determine if the transactions with Kent Wright represent a conflict of interest to the District.

Response - Kent Wright is no longer on the School Board.

Conclusion - Response accepted.

- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-J-07 Financial Condition - The District had deficit unreserved fund balances of \$590,746 and \$5,478 in the General Fund and the Enterprise Fund, School Nutrition, respectively. The District also had two negative accounts within the Student Activity Fund.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits. The District should consider a workout plan to bring these funds to a solvent position.

Response - The District is developing a workout plan. The plan consists of staff reductions, staff reorganization, and cash reserve levies.

Conclusion - Response accepted.